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PAGE 01 OECD P 19570 282310Z

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ACTION NODS-00

INFO OCT-01 ISO-00 /001 W

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O 282251Z JUL 75

FM USMISSION OECD PARIS

TO SECSTATE WASH DC IMMEDIATE 8093

S E C R E T OECD PARIS 19570

NODIS

E.O.LL652: GDS

TAGS: ENRG, OECD

SUBJECT: IEA ON PRODUCER/CONSUMER, OIL STOCKS, ALTERNA-
TIVE SOURCES

DEPT PASS SECRETARY

FOR SECRETARY FROM ENDERS

PASS UNDERSECRETARY ROBINSON

1. CONSULTATIONS WITH OTHER MEMBERS IEA GOVERNING BOARD ON RESUMPTION OF THE DIALOGUE TODAY JULY 28 WENT ACCORDING TO PLAN. NO REPEAT NO SUBSTANTIVE OBJECTIONS RAISED TO PROPOSALS WE HAVE GIVEN TO FRENCH. ALL DELEGATIONS OF COURSE RESERVE THEIR POSITION UNTIL THEY SEE THE FRENCH PAPER, AND GOVERNING BOARD DECIDED TO MEET DURING AUGUST BEFORE THOSE COUNTRIES (JAPAN, EC, U.S.) INVITED TO NEW PREPCON RESPOND TO THE FRENCH INVITATION. BUT THIS IS A FORMALITY.

2. MAIN FOCUS OF DISCUSSION WAS IEA ROLE IN THE DIALOGUE. GOVERNING BOARD AGREED TO OUR POSITION THAT (A) IEA SHOULD BE PRESENT AT NEW PREPCON ON SAME BASIS AS BEFORE, BUT WOULD NOT ASK TO SPEAK; AND (B) IEA WOULD BE ASKED TO PARTICIPATE AS AN OBSERVER IN THE ENERGY COMMISSION WITH RIGHT TO SPEAK. DAVIGNON SUBSE-
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PAGE 02 OECD P 19570 282310Z

QUENTLY PUT THIS TO THE FRENCH AS THE AGENCY POSITION.

SMALL COUNTRIES (SWISS, SWEDES, AUSTRIANS, IRISH, SPANISH) PARTICULARLY INSISTENT ON IEA PARTICIPATION. HOWEVER, SOME MEMBERS (NOTABLY JAPANESE AND ITALIANS) ARE WORRIED BY FACT U.S. HAS NOT MENTIONED IEA PARTICIPATION DURING CONSULTATION WITH OIL PRODUCERS AND WANT TO BE SURE IEA PARTICIPATION WILL NOT BECOME MAKE-OR-BREAK ISSUE IN AUGUST ON RESUMPTION OF THE DIALOGUE. THUS JAPAN DECLINED TO MAKE SEPARATE REPRESENTATION TO FRENCH ON THIS, AS WE HAVE AND AS WE EXPECT EC WILL.

3. DISCUSSION OF FOURTH COMMISSION ON MONETARY AFFAIRS WAS NON-COMMITTAL.

4. ON THE SUBSTANTIVE SIDE OF AGENCY WORK, THERE WERE TWO SIGNIFICANT DEVELOPMENTS. FIRST, THE AGENCY AGREED TO RAISE ITS STOCK LEVELS FROM 60 TO 66 DAYS OF IMPORTS BY JANUARY 1, 1976, IN A FIRST MOVE TO REDUCE OUR VULNERABILITY THIS WINTER. IT WAS AGREED TO SET A FIGURE OF 70 DAYS AT THE NEXT GOVERNING BOARD MEETING IN SEPTEMBER, IF JAPAN WILL COME ALONG.

5. SECOND, THE ITALIANS, WHO HAVE BEEN STRONGLY RESISTING THE MINIMUM SAFEGUARD PRICE AND HOLDING UP PROGRESS IN THE AGENCY, HAVE NOW AGREED TO COOPERATE IN WORKING OUT A PACKAGE DEAL INCLUDING THE MINIMUM SAFEGUARD PRICE FOR DECISION DECEMBER 1. THIS IS THE RESULT OF A MEETING BETWEEN INCOMING FOREIGN MINISTRY SECRETARY GENERAL MANZINI AND MYSELF IN ROME JULY 27, AFTER WHICH NEW INSTRUCTIONS WERE ISSUED TO ITALIAN REPRESENTATIVES AT THE GOVERNING BOARD. WHAT MANZINI WANTS IN RETURN IS A U.S. GREEN LIGHT AND IF POSSIBLE U.S. SUPPORT WITH RIYADH IN WORKING OUT A LARGE-SCALE DEAL WITH SAUDI ARABIA INVOLVING MANUFACTURED GOODS AGAINST PRE-PAYMENTS. I SAID I WOULD DISCUSS THIS WITH YOU. MANZINI SAID ROME NEEDS SOMETHING LIKE THE FRENCH \$1 BILLION DEAL, BUT IS STILL SHAKY ENOUGH FINANCIALLY SO AS TO BE UNABLE TO PULL IT OFF ALONE.

6. TURNABOUT IN ITALIAN POSITION LESSENS OBSTACLES TO CARRYING OUT THE ALTERNATIVE SOURCES POLICY YOU
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PAGE 03 OECD P 19570 282310Z

PROPOSED IN FEBRUARY. THE JAPANESE AND U.S. CONGRESS NOW REMAIN THE MAIN OBSTACLES. CONGRESS SHOULD BE EASIER TO PERSUADE ONCE THE OIL DECONTROL FIGHT IS OVER AND THERE IS AN AGREED SCHEDULE FOR INCREASE OF OIL PRICES. THE MIKI VISIT NEXT WEEK WILL BE IMPORTANT IN REDUCING THE JAPANESE AND THERE ARE TALKING POINTS ON THIS ISSUE PREPARED FOR YOU AND THE PRESIDENT.
TURNER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ENERGY, COMMITTEES, IMPORTERS, EXPORTERS, PLANNING MEETINGS, CAT-B
Control Number: n/a
Copy: SINGLE
Draft Date: 28 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975OECDP19570
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: P840125-2598
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750716/aaaaaobs.tel
Line Count: 115
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NODS
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: NODIS
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: NODIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 16 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 MAY 2003 by ShawDG>; APPROVED <19 MAY 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: IEA ON PRODUCER/CONSUMER, OIL STOCKS, ALTERNATIVE SOURCES
TAGS: ENRG, XX, OECD, IEA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006